REMAPPING DEBATE
Asking "Why" and "Why Not"

Unintended consequences: Chamber report shows that "good" for business may be bad for people

Story Repair | By Mike Alberti | Economy

From the Editor:

In this feature, we select a story that appeared in a major news outlet and take it in for repairs. The stories we choose are not necessarily "fatally" flawed; on the contrary, in many cases, they'll bring genuinely newsworthy information to light. But our goal is to show how, with a similar investment of time, a different set of interviews or line of questioning could have produced a different — and, we hope, more illuminating — article.

For repair this week: "Chamber grades Barbour well on jobs" (The Hill, Mar. 2)

March 7, 2011 — Mississippi is not used to getting good ratings for much of anything.

According to the Census Bureau, the state has the lowest per-capita income in the country, as well as the lowest lift-expectancy. It ranks 47th on the American Legislative Exchange Council's annual Report Card on American Education, and the Annie E. Casey Foundation, which rates states on the basis of child welfare, puts Mississippi dead last.

So Gov. Haley Barbour was understandably pleased when Mississippi ranked highly in a new report by the U.S. Chamber of Commerce, titled "The Impact of State Employment Policies on Job Growth."

The report, which came out last week, is based on an analysis of the labor and employment policies in every state, and takes into account factors such as the amount of state minimum wage beyond the federal requirements, private sector union membership, and maximum unemployment benefits.

States are then rated "good," "fair" or "poor" for job growth potential. So Mississippi, which has no state minimum wage, low union membership, and employment discrimination standards that go no further than mandated by federal law, ranks "good" on the Chamber's scale for job creation potential. Pennsylvania, by contrast, ranks "poor," because of its extensive child labor laws, relatively high wage standards, and high union density.

Barbour officiated at the presentation of the Chamber report, where he said that, in his tenure as governor, he had seen "no benefit to safety" or to workers in adding "another layer of regulations" to existing federal law.

Some economists have already questioned the report's methodology, saying that many of the policies it claims are "poor" for job creation actually have a tenuous relationship with employment, at best.

"There's a whole literature [on] whether higher minimum wages in states lead those states to have less employment growth or less small business creation," said Mark Price, a labor economist with the Keystone Research Center in Pennsylvania. "That literature is very contentious. It's not clear that there's any impact at all."

Remapping Debate asked the Chamber of Commerce to confirm and explain the fact that its "good" for business ratings routinely went to states that fared poorly on measures of social well-being, and that its "poor" for business ratings routinely went to states that fared well on measures of social well-being. The Chamber did not respond.

When Remapping Debate asked Jeffrey Eisenach, managing director at Navigant Economics and an author of the report, how he had come to the conclusion that the factors he had chosen actually have an effect on employment growth, he acknowledged that "there are nuances on all of these things," but said he ultimately made a judgment call about what the "bulk of the academic literature says."

The report only cites a handful of studies for each topic, however, some of them written by Eisenach himself. Eisenach, a long proponent of deregulation, has served as a fellow for the conservative think tanks American Enterprise Institute and Heritage Foundation, and authored a report in 1989 called "A White House Strategy for Deregulation."

Josh Bivens, an economist at the Economic Policy Institute, also disputed the findings of the report. Essentially what they have found, he said, is that a group of lightly regulated states — including some who have lax regulation to promote mineral extraction industries — had a good decade. "They decided to exploit that by claiming that the light regulation led to good economic performance," he said. "That's clearly not true, or at least they haven't even gotten into the universe of proving it."

Price took the Chamber's rankings and compared them with the percentage increase in jobs in every state from 1994 to 2010. What he found, he said, was that the states that are ranked "good" in the report generally had less employment creation than the states that are classified as "poor."

While this appears to contradict the report's findings, Eisenach said that there are many factors that affect employment that the report does not account for, most prominently education, investment in infrastructure, and government subsidies to business.

The Chamber of Commerce did not respond to a request for clarification on whether factors beyond those they considered might be more important to job creation than labor regulation.

According to Marianne Hill, a senior economist at the Mississippi Institutions of Higher Learning, raw job creation does not tell the whole story: it is more important, she said, to look at what kinds of jobs different policies create.

The jobs created by the "good" policies in the report "might result in more door-to-door salesmen, but that doesn't mean that those jobs could support a family," she said.

Gov. Barbour's office did not respond to a request for comment on whether Mississippi's poverty rate (21.9 percent in 2009, the highest in the country) was a function of its absence of supplementary state protections for workers.

Bivens accused the Chamber of using the report to advance its "pro-corporate" agenda at the expense of working people. Barbour, a longtime lobbyist before being elected governor, has strong corporate ties.

Price suggested using another, more comprehensive, rating system called the "Measure of America" to evaluate overall well-being in the states. The project, developed by the American Human Development Project, takes median earnings into account as well as education, life expectancy, and other factors. Overall, it rates Mississippi 48th, ahead of only Arkansas and West Virginia.

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More generally, there is a strong inverse correlation between a state's ranking in the Chamber's report and it's ranking on the Human Development Index. Every state except Virginia that ranked "good" in the report ranked below the national average on the Human Development Index.

But Eisenach maintained that these measures were outside the scope of the report.

"We're saying that [employment policy] is one thing that people ought to be concerned about," he said. "It's not the only thing."

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Barbour's office did not respond to a request for comment on how his policies in other areas, like education, had affected his state's employment climate and overall well-being.

In his speech at the Chamber, however, Barbour suggested that other issues were a distraction, and that job creation was the main thing on which he was focused.

"The main thing," he said, "is to keep the main thing the main thing."